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AN INDEPENDENT NEWSPAPER

... And a Matter of Privacy

A LONG WITH medical records, financial and credit records probably rank among the kinds of personal data Americans most expect will be kept from prying eyes. As with medical data, though, the privacy of even highly sensitive financial data has been increasingly compromised by mergers, electronic data-swapping and the move to an economy in which the selling of other people's personal information is highly profitable—and legal.

Just how much of it is legal in the financial arena, though, is a complicated question. The Senate, struggling with a banking bill, is weighing a proposed amendment that would draw clearer lines. A judge at the Federal Trade Commission, after years of trying to police the sale of credit information to telemarketers, two weeks ago ordered one of the country's largest credit reporting bureaus to stop selling customers' sensitive data to such marketers in violation, the agency said, of the Fair Credit Reporting Act.

The Senate's attention to financial privacy comes in the form of a proposed amendment to a banking deregulation bill, already passed by the House, that would allow banks to merge more freely with the providers of other financial services, such as insurers. Once such institutions can merge, though, under current law they are under no restrictions from sharing even otherwise protected customer information from division to division. (The Fair Credit Reporting Act, which offers some though not comprehensive protection for credit information, doesn't impose the same restrictions on affiliated institutions.)

For instance, watchdog groups say, if Citibank merges with Travelers Inc. insurance as expected, information about your bank balance or a bounced check could be used to deny you insurance coverage. Conversely, data from a medical exam for insurance coverage could be shared with your bank and used to deny you a loan. Milder possibilities include the use of knowledge about your financial assets being shared with or sold to marketers who wish to target customers of a given income bracket.

An amendment proposed by Sens. Paul Sarbanes and Christopher Dodd is likely to be weighed by the committee marking up the Senate bill this week or next. It would block such possibilities by prohibiting sharing or pooling of data not covered by the Fair Credit Reporting Act—known generally as “experience and transaction data,” and including account balances and activity—for any purpose beyond the reason it was collected, unless the customer gives specific permission.

This goes well beyond existing privacy protections, which mostly require that the customer actively “opt out” of such uses—a difficult proposition when the customer probably has not the slightest idea that such swapping and spreading of information is legal to begin with. For that very reason, it's a protection well worth considering, especially in the banking context. As the pace of the much-touted “information economy” quickens, safeguards against these previously unimagined forms of commerce become ever more important.